



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

MOTIVHEALTH INSURANCE COMPANY

of

South Jordan, Utah

as of

December 31, 2020

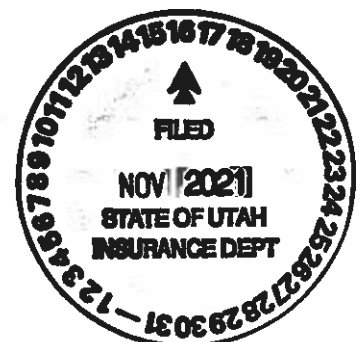


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October 21, 2021

Honorable Jonathan T. Pike, Insurance Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2020, has been made of the financial condition and business affairs of:

MOTIVHEALTH INSURANCE COMPANY
South Jordan, Utah

hereinafter referred to in this report as “the Company”, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Representatives of the Utah Insurance Department (Department) have performed a full scope examination of the Company. This is the second full-scope examination of the Company since inception. This examination covers the period of January 1, 2018, through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings for inclusion in the examination report.

COMPANY HISTORY

General

The Company was incorporated in the state of Utah on May 4, 2015, as HSA Health Insurance Company. It focused on offering high deductible health plans exclusively to the fully insured and self-funded group markets. In 2017, the Company withdrew from the small group marketplace. The Company then changed its name in June 2019 to MotivHealth Insurance Company, and expanded its license to sell health insurance in the state of Nevada in November 2020. However, no policies have been sold in Nevada, to date.

The Company's current marketing strategy is to focus on large, level-funded groups. The Company offers stop loss coverage to these groups and performs full medical underwriting on all new business. The Company has also started offering HSA Administration and Pharmacy Cost Containment services.

Mergers and Acquisitions

No mergers or acquisitions took place during the examination period.

Dividends and Capital Contributions

The Company declared and paid dividends to stockholders in the amount of \$69,570 in 2018, \$77,067 in 2019, and \$67,730 in 2020. In addition, the Company received capital contributions from stock options exercised by employees in the amount of \$282,000 in 2019, and \$24,425 in 2020.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The bylaws of the Company state that the number of directors constituting the Board of Directors shall be not less than three (3) and not more than nine (9) directors. The following persons served as directors of the Company as of December 31, 2020:

| Name and Location | Principal Occupation |
|--|---|
| David Hall (chairman) <i>Alpine, UT</i> | President & CEO <i>MotivHealth Insurance Company</i> |
| Russell Trujillo <i>West Jordan, UT</i> | Executive VP of Risk Management <i>MotivHealth Insurance Company</i> |
| Korb Matosich <i>South Jordan, UT</i> | President <i>Asserta Health</i> |
| Lisa Behnke <i>Fort Meyers, FL</i> | Chief Medical Officer <i>Asserta Health</i> |
| Joann Cipiti <i>Peoria, AZ</i> | Benefits Consultant <i>(Retired)</i> |

Subsequent to the exam as of date, the members of the Board of Directors were changed and currently consist of David Hall, Joann Cipiti, and Brian Dunn.

Committees

The bylaws of the Company require that the Board, by resolution adopted by a majority of the full Board, may designate one or more committees. Each of these committees shall consist of not less than three (3) or more than fifteen (15) in support of the Board's oversight. Compositions of the Board committees as of December 31, 2020, were as follows:

| Finance and Audit Committee | Investment Committee | Executive Committee |
|------------------------------------|-----------------------------|-----------------------------|
| David Hall, <i>Chairman</i> | David Hall, <i>Chairman</i> | David Hall, <i>Chairman</i> |
| Korb Matosich | Russell Trujillo | Russell Trujillo |
| Joann Cipiti | Kenneth Acker | Kenneth Acker |

Subsequent to the exam as of date, the members of the Finance and Audit Committees were changed and currently consist of David Hall, Joann Cipiti, and Brian Dunn.

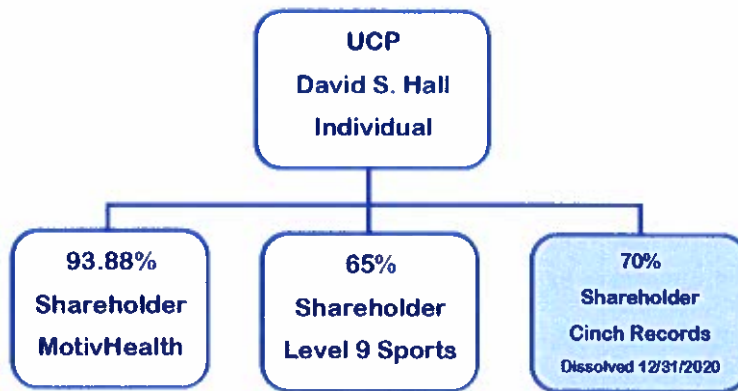
Officers

The following persons served as officers of the Company as of December 31, 2020:

| Name | Title |
|------------------|---------------------------------|
| David Hall | President & CEO |
| Russell Trujillo | Executive VP of Risk Management |
| Kenneth Acker | VP of Finance |

Holding Company

The Company is a member of a holding company as defined in Utah Code §31A-16. The majority shareholder and UCP of the holding company is Mr. David S. Hall. There are two other non-regulated entities in the holding company; Cinch Records, a music production company, and Level 9 Sports, a retail company selling ski and bike gear. Other than Cinch Records' dissolution, the ownership of the holding company system has had no significant changes. The following organizational chart depicts UCP's ownership percentage of each company within the holding company as of the examination date:



Transactions and Agreements with Affiliates

There were no transactions or agreements between the three entities in the holding company as of December 31, 2020, other than the payment of insurance premiums from Level 9 Sports to the Company for healthcare coverage to Level 9 Sports employees.

TERRITORY AND PLAN OF OPERATIONS

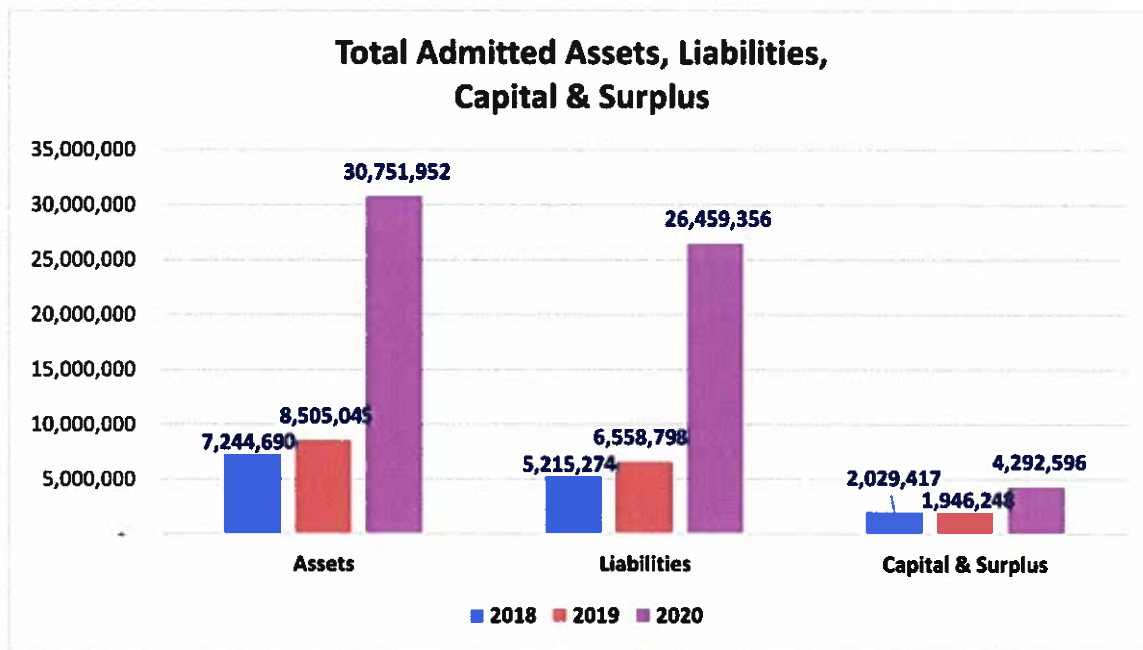
The Company offers high deductible health plans (HDHP) to fully insured large group employers in the state of Utah. The Company also offers administrative services to self-funded small and large employers, along with level-funded stop-loss coverage with specific and aggregate limits. The administrative services for self-funded employer plans, along with the stop-loss coverage, is the majority of the Company's written business and its main marketing focus. The Company also offers health savings account administration (HSA) and pharmacy cost containment services to its current customers.

In addition to being licensed in Utah, the Company is licensed to sell health insurance in Nevada, but did not have any active policies there as of December 31, 2020.

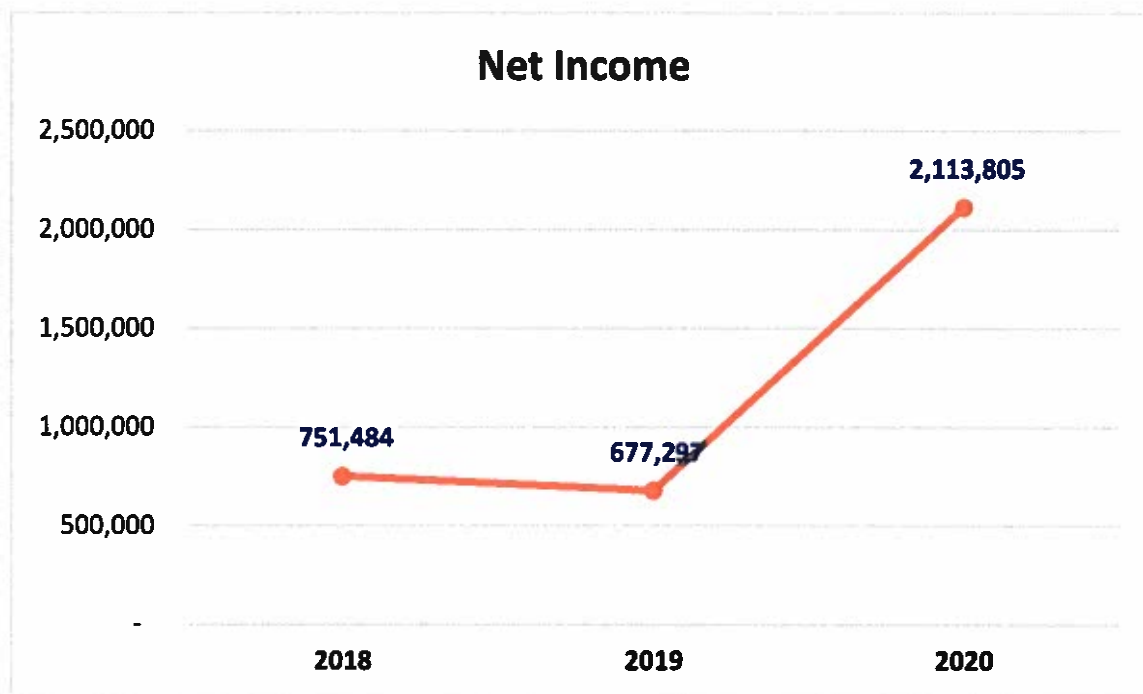
GROWTH OF COMPANY

The Company experienced a slight increase in assets and liabilities and a slight decrease in capital and surplus from 2018 to 2019. In 2020, the Company's assets and liabilities grew significantly, as they included restricted funds held for HSA's policyholders. Capital and surplus doubled from 2019 to 2020 due to an increase in new business and a decrease in claims expenses.

The following graphs illustrate the growth of the Company during the examination period:



Sources: 2018 – 2020 Annual Statements



Sources: 2018 – 2020 Annual Statements

REINSURANCE

Assumed

The Company does not assume any reinsurance. The stop loss insurance product offered by the Company is similar in concept to assumed reinsurance. However, because the coverage is not provided to an insurance company, it is not considered reinsurance.

Ceded

The Company is contracted with PartnerRe America Insurance Company for ceded reinsurance. During the exam period, the Company increased its ceded reinsurance retention limit from \$100,000 to \$250,000 to reduce reinsurance-premiums. The current reinsurance contract consists of the following characteristics:

Per Risk Excess of Loss (Specific):

Layer 1: \$1,000,000 less retention of \$250,000

Layer 2: Unlimited in excess of \$1,000,000

The Aggregating Specific Deductible is greater of \$1.79 per member per month, or \$645,000.

The Company increased its reinsurance retention limit again in 2021 to \$300,000. In addition, the reinsurance contract only provides coverage for policies written in Utah and will need to be amended if the Company starts to issue policies in Nevada.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**MOTIVHEALTH INSURANCE COMPANY
BALANCE SHEET**

as of December 31, 2020

ASSETS

| | Net Admitted Assets |
|---|--------------------------------|
| Bonds | \$ 1,682,401 |
| Common stocks | 1,990,730 |
| Cash, cash equivalents and short-term investments | 24,712,272 |
| Investment income due and accrued | 18,551 |
| Uncollected premiums and agents' balances in the course of collection | 79,175 |
| Amounts recoverable from reinsurers | 807,940 |
| Amounts receivable related to uninsured plans | 567,158 |
| Current federal and foreign income tax recoverable and interest thereon | 19,011 |
| Net deferred tax asset | 541,185 |
| Electronic data processing equipment and software | 143,511 |
| Healthcare and other amounts receivable | 190,018 |
| Total Assets | <u>\$30,751,952</u> |

**MOTIVHEALTH INSURANCE COMPANY
BALANCE SHEET (Continued)**

as of December 31, 2020

LIABILITIES, SURPLUS, AND OTHER FUNDS

| | <u>Current Year</u> |
|---|----------------------------|
| Claims unpaid | \$ 1,595,102 |
| Unpaid claims adjustment expenses | 50,246 |
| Premiums received in advance | 272,443 |
| General expenses due or accrued | 1,926,582 |
| Amounts withheld or retained by company for account of others | 16,741,591 |
| Liability for amounts held under uninsured plans | <u>5,873,392</u> |
| Total Liabilities | 26,459,356 |
| Common capital stock | 5,306,425 |
| Gross paid in and contributed surplus | 162,738 |
| Unassigned funds (surplus) | <u>(1,176,567)</u> |
| Total Capital & Surplus | <u>4,292,596</u> |
| Total Liabilities, Surplus and Other Funds | <u><u>\$30,751,952</u></u> |

**MOTIVHEALTH INSURANCE COMPANY
STATEMENT OF INCOME**

for the Year-Ended December 31, 2020

| | <u>Current Year</u> |
|--|---------------------|
| Member Months | <u>333,960</u> |
| Net premium income | \$ 21,181,055 |
| Aggregate write-ins for other health care related revenues | 303,335 |
| Aggregate write-ins for other non-health revenues | <u>91,486</u> |
| Total revenues | 21,575,876 |
| Hospital/medical benefits | 17,463,968 |
| Prescription drugs | <u>(674,766)</u> |
| Subtotal | 16,789,202 |
| Net reinsurance recoveries | <u>(1,701,339)</u> |
| Total hospital and medical | <u>15,087,863</u> |
| Claim adjustment expenses | 4,477,345 |
| General administrative expenses | <u>915,967</u> |
| Total underwriting deductions | <u>20,481,175</u> |
| Net underwriting gain or (loss) | 1,094,701 |
| Net investment income earned | 94,407 |
| Net realized capital gains (losses) | <u>2,202</u> |
| Net investment gains (losses) | <u>96,609</u> |
| Aggregate write-ins for other income or expenses | <u>922,495</u> |
| Net income | <u>\$ 2,113,805</u> |

MOTIVHEALTH INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS

2018 through 2020

| | 2018 | 2019 | 2020 |
|---|--------------------|--------------------|--------------------|
| Capital and surplus, December 31, prior year | <u>\$1,644,662</u> | <u>\$2,029,417</u> | <u>\$1,946,249</u> |
| Net income | 770,668 | 677,297 | 2,113,805 |
| Change in net unrealized capital gains (losses) | - | - | 6,468 |
| Change in net deferred income tax | (208,675) | (55,150) | 212,816 |
| Change in nonadmitted assets | (107,668) | (910,249) | (106,171) |
| Capital changes – Paid in | - | 282,000 | 24,425 |
| Surplus adjustments – Paid in | - | - | 162,738 |
| Dividends to stockholders | (69,570) | (77,066) | (67,730) |
| Net change in capital and surplus | <u>384,755</u> | <u>(83,168)</u> | <u>2,346,351</u> |
| Capital and surplus, end of reporting period | <u>\$2,029,417</u> | <u>\$1,946,249</u> | <u>\$4,292,600</u> |

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2020, as a result of the examination.

SUBSEQUENT EVENTS

No material subsequent events were identified during the examination fieldwork.

ACKNOWLEDGEMENT

Mike Presley, FSA, MAAA, Lead Consulting Actuary, of Risk & Regulatory Consulting, LLC, performed the actuarial review of the examination. Michael Maertz, CISA, CRISC, PMP, IT Specialist, also of Risk & Regulatory Consulting, LLC, performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner, supervised the examination. Ashley Bowen, Financial Examiner, of the Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Cambria Shore

Cambria Shore, MSA, APIR
Examiner-in-Charge
Utah Insurance Department